

Area Planted Continued Falling, Down 8 Percent

Area planted to peanuts continued falling, down 8 percent from 1995 levels to 1.4 million acres in 1996. Production was up 5 percent from 1995 levels at 3.6 billion pounds, but still below 1994 levels. Although the quota price was unchanged from 1995 at \$678 per ton, the average harvest-month price fell from 29 cents per pound to 26 cents. On average, yields rose 13 percent to 2,443 pounds per planted acre, and returns rose as well. Residual returns to management and risk were positive in 1996; higher gross value and lower fixed costs more than offset higher variable cash expenses.

Area planted to peanuts fell across all regions, although Texas reported more peanut acres in 1996 than in 1995. Yields rose in all three regions, with the largest yields and yield increases in the Virginia-North Carolina region. Growers in Alabama and Oklahoma had lower production in 1996, but there were considerably fewer acres planted in these States and yields were higher in 1996 than in 1995.

The Virginia-North Carolina region continues to have the highest gross value of production and production costs. Variable costs increased slightly more than the

decline in fixed costs. The region has the highest chemical and labor costs, but the lowest cost of commercial drying as most Virginia-North Carolina growers do their own drying.

The Southeast region accounts for the majority of U.S. peanut production—some 52 percent in 1996, down from 55 percent in 1995. Growers here had the lowest costs for fuel and repairs, and the increase in variable costs was offset by the decline in fixed costs.

The Southern Plains had the lowest yields and gross value of production. Variable costs were lowest in this region as expenditures for fertilizer and chemicals were half that of the other regions. Costs for fuel, repairs, and replacement were highest here because of irrigation.

Per pound variable production costs varied from 13.7 cents in Virginia-North Carolina to 14 cents in the Southern Plains and 14.4 cents in the Southeast. Total cash costs per pound varied from 15.9 cents in Virginia-North Carolina to 17 cents in the Southeast and 17.5 cents in the Southern Plains.

Figure 8-11

Peanut production regions



Notes: Shading and patterns indicate production regions where producers were surveyed in 1995 about production practices and costs of production. Production regions are defined for each crop based on common cultural practices.

Table 8-11A—Peanut production cash costs and returns, 1995-96

Item	United States		Virginia/ North Carolina		Southeast		Southern Plains	
	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>								
Gross value of production:								
Peanuts	620.62	635.14	744.61	832.06	657.51	680.56	493.75	481.58
Peanut hay	10.35	12.10	9.18	9.98	8.13	9.06	15.85	19.15
Total, gross value of production	630.97	647.24	753.79	842.04	665.64	689.62	509.60	500.73
Cash expenses:								
Seed	72.87	74.75	84.24	92.73	75.05	76.03	61.09	62.57
Fertilizer, lime, and gypsum	43.47	44.12	53.55	52.20	49.62	52.29	23.94	23.85
Chemicals	97.83	99.71	139.24	142.94	112.44	117.85	40.50	41.08
Custom operations ¹	8.44	8.70	4.71	4.85	8.69	8.84	10.24	10.51
Fuel, lube, and electricity	34.84	40.31	32.17	40.05	26.48	29.70	54.49	61.09
Repairs	27.85	28.62	26.89	27.83	26.27	27.03	31.88	32.14
Hired labor	31.97	32.86	43.13	42.63	30.15	32.27	28.91	28.74
Drying	14.95	17.03	4.21	5.15	16.44	18.29	18.44	20.99
Other variable cash expenses ²	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total, variable cash expenses	332.22	346.10	388.14	408.38	345.14	362.30	269.49	280.97
General farm overhead	17.38	12.94	24.69	18.56	15.78	11.84	16.27	12.05
Taxes and insurance	20.17	17.96	23.11	20.90	20.66	18.44	17.27	15.43
Interest	44.67	35.47	29.42	23.28	44.96	35.57	53.54	41.85
Total, fixed cash expenses	82.22	66.37	77.22	62.74	81.40	65.85	87.08	69.33
Total, cash expenses	414.44	412.47	465.36	471.12	426.54	428.15	356.57	350.30
Gross value of production less cash expenses	216.53	234.77	288.43	370.92	239.10	261.47	153.03	150.43
Harvest-period price (dollars/lb)	0.29	0.26	0.31	0.28	0.29	0.27	0.29	0.24
Yield (lbs/planted acre)	2,140	2,443	2,402	2,972	2,267	2,521	1,703	2,007

Table 8-11B—Peanut production economic costs and returns, 1995-96

Item	United States		Virginia/ North Carolina		Southeast		Southern Plains	
	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>								
Gross value of production:								
Peanuts	620.62	635.14	744.61	832.06	657.51	680.56	493.75	481.58
Peanut hay	10.35	12.10	9.18	9.98	8.13	9.06	15.85	19.15
Total, gross value of production	630.97	647.24	753.79	842.04	665.64	689.62	509.60	500.73
Economic (full ownership) costs:								
Variable cash expenses	332.22	346.10	388.14	408.38	345.14	362.30	269.49	280.97
General farm overhead	17.38	12.94	24.69	18.56	15.78	11.84	16.27	12.05
Taxes and insurance	20.17	17.96	23.11	20.90	20.66	18.44	17.27	15.43
Capital replacement	47.62	49.13	39.53	40.92	42.48	43.79	63.72	63.93
Operating capital	9.29	8.37	10.85	10.27	9.65	8.75	7.53	6.62
Other nonland capital	28.43	27.70	26.67	26.16	26.03	25.41	34.72	32.98
Land	52.94	44.67	66.09	62.93	45.76	43.06	60.21	37.97
Peanut quota	93.92	94.89	103.83	108.58	102.55	103.07	69.16	71.58
Unpaid labor	30.64	32.14	29.82	29.49	27.23	29.12	38.48	39.44
Total, economic (full ownership) costs	632.61	633.90	712.73	726.19	635.28	645.78	576.85	560.97
Residual returns to management and risk	-1.64	13.34	41.06	115.85	30.36	43.84	-67.25	-60.24
Harvest-period price (dollars/lb)	0.29	0.26	0.31	0.28	0.29	0.27	0.29	0.24
Yield (lbs/planted acre)	2,140	2,443	2,402	2,972	2,267	2,521	1,703	2,007

¹Cost of custom operations and technical services.²Cost of purchased irrigation water.

Source: Economic Research Service, U.S. Department of Agriculture.